

Rail Car Tax (15-23-101, MCA)

1. Model Characteristics

- Rail car tax is essentially a statewide property tax for railroad rolling stock.
- The Montana allocated (assessed) value is estimated from the national railcar fleet value trend (outlier adjusted) and then the Montana share TY 2014 level (0.61%).
- The class 12 property tax rate is applied to set the taxable value. The class 12 rate is projected for FY 2016 and FY 2017.
- Statewide average commercial and industrial property millage is applied to the taxable value to generate the tax liability. These mill rates are projected based on historical trend for FY 2016 and FY 2017.

2. Model Data

- National fleet value, Montana allocated share, class 12 tax rate, and the statewide average of commercial and industrial millage rates are all provided by DOR.
- Trend rates are calculated from historical data.

3. Key Variables

- DOR annual rail car tax billing data base.
- SABHRS collections.
- Historical trend of tax collections and allocated market value are adjusted for tax settlements and court cases.

4. Other Important Points

- The class 12 tax rate incorporates the effective weighted average of the tax rates that apply to all commercial and industrial property statewide. The class 12 rate estimate is based on the simple trend rate of change (decline). This estimate is decoupled from the property tax estimate's class 12 tax rate.
- The central assessment rules for rail car tax are set in the Federal *Railroad Revitalization and Regulatory Reform Act of 1976*. Tax disputes may go directly to U.S. District Court bypassing the State Tax Appeal Board.
- The tax has been affected by tax disputes that have led to large declines as taxes were protested, and then significant increases when the disputes were resolved.
- The tax collections lag actual economic activity by 18 to 24 months.

Calculation of Rail Car Tax Revenue (\$ millions)				
Description	FY 2014 Actual	FY 2015 Billed	FY 2016 Projected	FY 2017 Projected
Total Montana Allocated Value	\$129.492	\$206.975	\$216.208	\$225.853
Multiplied by Class 12 Tax Rate	3.28%	3.25%	3.23%	3.20%
Taxable Value	\$4.247	\$6.736	\$6.982	\$7.236
Multiplied by Mill Levy	537.52	536.28	542.36	548.51
General Fund Revenue	\$2.418	\$3.612	\$3.787	\$3.969